

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name	Western Washtenaw Recycling	County	WASHTENAW	Type	OTHER	MuniCode	81-7-538
Opinion Date	6/26/08	Audit Submitted	6/27/08	Fiscal Year	December 31, 2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="859778"/>
General Fund Expenditure:	<input type="text" value="671903"/>
Major Fund Deficit Amount:	<input type="text" value="0"/>

General Fund Balance:	<input type="text" value="2084280"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="495074"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Mark	Last Name	Kettner	Ten Digit License Number			1101011673
CPA Street Address	675 Robinson Road	City	Jackson	State	MI	Zip Code	49203
CPA Firm Name	REHMANN ROBSON	Unit's Street Address	8025 Werkner Rd	City	Chelsea	Zip Code	48118

WESTERN WASHTENAW RECYCLING AUTHORITY

Chelsea, Michigan

ANNUAL FINANCIAL STATEMENTS

**For The Year Ended
December 31, 2007**



REHMANN ROBSON

Certified Public Accountants

WESTERN WASHTENAW RECYCLING AUTHORITY

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REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**



INDEPENDENT AUDITORS' REPORT

June 26, 2008

Board of Directors
Western Washtenaw Recycling Authority
Chelsea, Michigan

We have audited the accompanying financial statements of the **WESTERN WASHTENAW RECYCLING AUTHORITY** as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Western Washtenaw Recycling Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washtenaw Recycling Authority, as of December 31, 2007, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Western Washtenaw Recycling Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

FINANCIAL STATEMENTS

WESTERN WASHTENAW RECYCLING AUTHORITY

Statement of Net Assets

December 31, 2007

ASSETS

Current assets

Cash and cash equivalents	\$ 108,574
Amounts on deposit with Washtenaw County	1,165,414
Special assessments receivable	332,338
Accounts receivable	35,339
Prepaid expenses	15,502

Total current assets 1,657,167

Capital assets

Construction in progress	4,790
Buildings	264,059
Equipment	810,393
Total	1,079,242
Less: Accumulated depreciation	584,168

Net capital assets 495,074

Total assets \$ 2,152,241

LIABILITIES AND NET ASSETS

Current liabilities

Accrued liabilities	\$ 51,702
Accrued wages	16,259

Total liabilities 67,961

Net assets

Invested in capital assets	495,074
Unrestricted	1,589,206

Total net assets 2,084,280

Total liabilities and net assets \$ 2,152,241

The accompanying notes are an integral part of these financial statements.

WESTERN WASHTENAW RECYCLING AUTHORITY

Statement of Revenue, Expenses and Changes in Net Assets For the Year Ended December 31, 2007

Operating revenue	
Special assessments	\$ 364,788
Sale of recycled materials	416,671
Other revenue	14,488
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Total operating revenue	795,947
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Operating expenses	
Personnel services	370,215
Contractual services	57,843
Supplies	10,646
Transportation	39,310
Utilities	12,984
Repairs and maintenance	52,479
Insurance	18,368
Depreciation	66,975
Promotion and advertising	2,038
Miscellaneous	41,045
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Total operating expenses	671,903
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Operating income	124,044
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Non-operating revenue and expense	
Interest revenue	63,831
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Change in net assets	187,875
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Net assets, beginning of year	1,896,405
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Net assets, end of year	\$ 2,084,280
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The accompanying notes are an integral part of these financial statements.

WESTERN WASHTENAW RECYCLING AUTHORITY

Statement of Cash Flows For the Year Ended December 31, 2007

Cash flows from operating activities

Cash received from customers, residents and users	\$ 481,535
Other operating receipts	14,488
Cash paid to employees	(364,550)
Cash paid to suppliers	<u>(208,602)</u>

Net cash used in operating activities	<u>(77,129)</u>
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Cash flows from capital and related financing activities

Purchase of property and equipment	(16,323)
Loss on sale of property and equipment	<u>675</u>

Net cash used for capital and related financing activities	<u>(15,648)</u>
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Cash flows from investing activities

Interest earned on investments	<u>63,831</u>
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Net decrease in cash and cash equivalents	(28,946)
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Cash and cash equivalents, beginning of year	<u>137,520</u>
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Cash and cash equivalents, end of year	<u><u>\$ 108,574</u></u>
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Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 124,044
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation	66,975
Changes in assets and liabilities:	
Amount on deposit with Washtenaw County	(314,687)
Special assessments receivable	18,632
Accounts receivable	(3,869)
Prepaid expenses	(316)
Accrued liabilities	26,427
Accrued wages	<u>5,665</u>

Net cash used in operating activities	<u><u>\$ (77,129)</u></u>
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The accompanying notes are an integral part of these financial statements.

WESTERN WASHTENAW RECYCLING AUTHORITY

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Western Washtenaw Recycling Authority (“Authority”) provides recycling services primarily for the benefit of citizens within the Authority’s special assessment districts in Washtenaw County, Michigan. The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

Reporting Entity

The Authority is governed by a Board of Directors that is appointed by the member municipalities. As required by generally accepted accounting principles, these financial statements present the Western Washtenaw Recycling Authority. The Authority has no component units that are required to be included in the financial statements.

Basis of Accounting

The Authority utilizes a single enterprise fund (proprietary fund type) and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Authority is accounted for on a cost of services or *economic resources* measurement focus. This means that all liabilities (whether current or non-current) associated with its activity are included on the statement of net assets and its operating statement presents increases (revenues) and decreases (expenses) in net assets.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

WESTERN WASHTENAW RECYCLING AUTHORITY

Notes To Financial Statements

Cash and Cash Equivalents

The Authority considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Amounts on Deposit with Washtenaw County

The Authority has an account with Washtenaw County whereby special assessment payments are collected and certain disbursements are approved. The account was set up to provide assurance that the monies received from special assessments would be properly accounted for and disbursed.

Property and Equipment

Capital assets, which include property and equipment, are recorded at cost. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. Maintenance and repairs are charged to expense as incurred and renewals and betterments are capitalized on the basis of cost. Depreciation is computed under the straight-line method at annual rates which are sufficient to amortize the gross carrying amounts over the estimated useful lives of the assets, which are as follows:

	<u>Years</u>
Buildings and building improvements	15-50
Equipment, furniture and fixtures	7-20

2. CASH AND CASH EQUIVALENTS

At year end, the carrying amount of deposits for the Authority was \$108,574. The combined bank balance was \$107,353. Of the bank balance, \$100,000 was covered by federal depository insurance. The remaining balance of \$7,353 was uninsured and uncollateralized.

WESTERN WASHTENAW RECYCLING AUTHORITY

Notes To Financial Statements

3. CAPITAL ASSETS

The Authority's capital assets activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 4,790	\$ -	\$ 4,790
Capital assets, being depreciated:				
Buildings	264,059	-	-	264,059
Equipment	799,899	11,533	(1,039)	810,393
Less accumulated depreciation for:				
Buildings	(66,682)	(5,274)		(71,956)
Equipment	<u>(450,875)</u>	<u>(61,701)</u>	<u>364</u>	<u>(512,212)</u>
Total capital assets, being depreciated, net	<u>546,401</u>	<u>(55,442)</u>	<u>(675)</u>	<u>490,284</u>
Capital assets, net	<u>\$ 546,401</u>	<u>\$ (50,652)</u>	<u>\$ (675)</u>	<u>\$ 495,074</u>

4. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits. The Authority uses commercial insurance for all claims other than workers' compensation claims and participates in the Michigan Municipal League risk pool for claims relating to workers' compensation claims.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

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